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Livestock, Dairy, and Poultry Outlook

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Disease and Trade Issues Cloud Poultry Outlook

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January 28, 2003

Approved by the
World Agricultural
Outlook Board.

The Newcastle disease outbreak in California has now spread to commercial egg-laying flocks, and over a million birds have been destroyed. The number of laying hens destroyed so far in California represents less than 1 percent of the national egg laying flock. The disease outbreak also has impacted poultry trade, with many countries putting restrictions on imports of poultry or poultry products from the United States. Also, poultry products produced in other areas and shipped out of California ports must be kept in sealed containers. Most of the restrictions are limited to poultry or poultry products from California. However, some countries have gone further, with Mexico and the European Union (EU) banning all poultry meat, hatching eggs, and live birds from the United States.

The outlook for poultry meat trade remains clouded due to proposed measures by Russia and Mexico to limit imports. Russia has introduced legislation that will place a quota on imports of poultry products by April 1. There are a number of unanswered questions concerning the implementation of the quota. Although there are indications that the quota will be based on a quarterly distribution, the method and size of the allocations have not been specified.

In Mexico, tariff rate quotas (TRQs) for poultry products were reduced to zero at the beginning of 2003, as provided for by the North American Free Trade Agreement (NAFTA). However, in response to fears of a large increase in the amount of broiler shipments to Mexico, the Mexican and U.S. Governments are discussing possibly placing TRQs on specific broiler products. Should these measures be undertaken, the combined impact of the possible changes in Russian and Mexican imports would be strongly felt in U.S. exports. Russia and Mexico were the first and third largest export markets for U.S. broiler products in 2002, and Mexico is the largest market for U.S. turkey products.

Inventories of hogs and pigs, together with producer breeding intentions reported in the Quarterly Hogs and Pigs report released on December 30, suggest lower pork production and higher hog prices in 2003. Pork production in 2003 is expected to decline by less than 2 percent. Hog prices are expected to average in the high \$30s, compared with the mid \$30s in 2002.

The weather-related slow pace of cattle marketing during the last months of 2002 implies increased marketings and slaughter in first-half 2003. The Cattle report, which will be released on January 31, will provide further information to update beef production forecasts in February.

Newcastle Disease Found in California

The Newcastle disease outbreak in California has now spread to commercial egg-laying flocks after having initially been confined to small non-commercial flocks. Over a million birds have been destroyed. Most of southern California's counties are under quarantine. The disease outbreak also has impacted poultry trade, with many countries putting restrictions on imports of poultry or poultry products from the United States. Most of the restrictions are limited to poultry or poultry products produced in California. But, poultry products produced in other areas and shipped out of California ports must be kept in sealed containers. Some countries have gone further: Mexico and the EU, for example, have banned all imports of poultry meat, hatching eggs, and live birds from the United States. The number of laying hens destroyed so far in California represents less than 1 percent of the national egg laying flock.

Poultry Trade Outlook Cloudy

The outlook for poultry meat trade in 2003 remains clouded at the present time due to proposals by Russia and Mexico to limit imports. Russia has introduced legislation that could place a quota on imports of poultry products by April 1. There are a number of unanswered questions concerning the implementation of the quota. Although there are indications that the quota will be based on a quarterly distribution, the method and size of the allocations have not been specified. If Russian importers feel the quota is below domestic demand, they may import heavily before the quota goes into effect, anticipating higher prices. This could generate wide swings in broiler shipments to Russia depending on price forecasts for the Russian and world markets.

In Mexico, according to the NAFTA, the TRQs for poultry products were reduced to zero at the beginning of 2003. However, in response to fears of a large increase in broiler shipments to Mexico, the Mexican and U.S. Governments are discussing the possibility of placing TRQs on specific broiler products. Should these measures be undertaken, the combined impact of the possible changes in Russian and Mexican imports would be strongly felt in U.S. exports. Russia and Mexico were the

first and third largest export markets for U.S. broiler products in 2002, and Mexico is the largest market for U.S. turkey products.

U.S. broiler exports in October 2002 were 468 million pounds, about even with the previous year. Exports over the first 10 months of 2002 were 4.048 billion pounds, down 12 percent from a year ago. As usual, leg quarter exports to Russia made up the bulk of the shipments. In October, shipments of leg quarters to Russia totaled 177 million pounds, 57 percent of all leg quarter exports and 38 percent of all broiler exports.

Indicators Suggest Lower Broiler Production

Weekly broiler hatchery reports continue to show declines in both the numbers of eggs being placed in hatcheries and the number of broiler chicks being placed for growout. During the fourth quarter of 2002, the number of eggs being placed per week in hatcheries averaged 196 million, down 3.1 percent from the same period in 2001. The number of broiler chicks placed for growout per week averaged 157 million, down 2.9 percent from a year earlier. With continued low prices for most broiler products and uncertainty in the export market, this pattern of lower egg and chick placement is expected to continue into the first quarter of 2003. These reductions imply lower U.S. broiler production through the first half of the year. Broiler production during the first 6 months of 2003 is forecast at 16.25 billion pounds, down slightly from the same period in 2002.

Over the first 9 months of 2002, broiler production was 24.4 billion pounds, 4.1 percent above the previous year, the result of a greater number of birds slaughtered and higher average weights. However, fourth quarter production is forecast about the same as the previous year, a distinct change from the initial outlook. Broiler production in November was 2.436 billion pounds, a decrease of 2.6 percent from a year earlier, and slaughter in December is expected to be near the previous year's level.

Broiler stocks declined in November, with stocks at the end of the month totaling 790 million pounds. This is 65 million pounds lower than the previous

month, but still 16 percent higher than at the same time in 2001. Even with a decline in stocks and slightly smaller production in November, most broiler prices have continued to be below the previous year. The December 12-city average for whole broilers was 54.7 cents per pound, down 2 percent from the previous year. The wholesale composite price for whole broilers and broiler parts was 50.7 cents a pound in December, 11 percent lower than in December 2001. Broiler prices during the first quarter of 2003 will depend to a large part on what impacts the Russian quota and the Mexican trade discussions have on overall broiler shipments.

Turkey Production Down in November

In December, the three-region price for whole turkeys (hens and toms) averaged 63.4 cents per pound, down less than 1 percent from the previous year. Wholesale prices for whole birds and parts are expected to remain depressed through the next several months, as turkey stocks (whole birds and parts) are still much higher (up 27 percent) than the previous year. In November, turkey production fell

by 2.5 percent as a smaller number of birds slaughtered (down 6.1 percent) more than offset an increase (up 4.1 percent) in the average weight of a bird at slaughter. This is a continuation of the pattern seen in October, with the number of birds down 7 percent from the previous year, but with that decline partially offset by a 5-percent increase in the average weight. Over the last 3 months (September through November), the number of poultts being placed for growout was down marginally from the same period in 2001.

In October, U.S. turkey exports totaled 36.3 million pounds, down slightly from the previous year. However, over the first 10 months of 2002, turkey exports have only been 372 million pounds, a decrease of 7.3 percent from the previous year. Most of the decline has come from smaller shipments to Mexico, which were down 9 percent from the same period in 2001. While exports to Mexico and a number of other markets have been down, they have been partially offset by large increases in shipments to Hong Kong (111 percent) and Canada (22 percent).

Quarter by Hogs and Pigs Report in Line With Expectations

Inventories of hogs and pigs, together with producer breeding intentions reported in the Quarterly Hogs and Pigs report released on December 30, suggest lower pork production and higher hog prices in 2003. Retail pork prices should increase as well, particularly if current expectations for lower per capita supplies of beef and poultry are realized. Pork production in 2003 is expected to decline by less than 2 percent, to about 19.4 billion pounds. The 51-52 percent lean live equivalent hog price is expected to average around \$38 per hundredweight in 2003, an increase of more than 8 percent over the 2002 average. Retail pork prices are expected to increase about 1 percent in 2003, to an average of about \$2.69.

Lower Pork Production in 2003

The Quarterly Hogs and Pigs report indicated that the June-August 2002 pig crop was about 2 percent below the summer quarter of 2001. The June August 2002 pig crop will be slaughtered in the first quarter of 2003. The lower June-August pig crop, plus anticipated imports of slaughter hogs and feeder pigs from Canada should leave the first quarter 2003 slaughter about unchanged from the same period a year ago.

The September-November 2002 pig crop came in 2 percent lower than a year ago. The September-November pig crop is typically slaughtered in the second calendar quarter of the following year. Thus, the second quarter 2003 slaughter is expected to feel the brunt of the lower pig crop. Despite higher live imports, the second quarter 2003 slaughter is expected to fall by more than 2 percent.

Second farrowing intentions for the December-February quarter of 2003 came in at 1 percent below the same period in 2002, and unchanged from the first intentions reported in the September quarterly report. If producer intentions are realized, slaughter in the third calendar quarter of 2003 should fall more than 2 percent below 2002's summer slaughter.

Producers indicated intentions to farrow 3 percent fewer sows in the March-May 2003 period. If producer intentions are realized, slaughter in the

fourth quarter of 2003 should fall almost 2 percent below the same period last year.

Lower Pork Supplies and Higher Hog Prices in 2003

Taken as a whole, the Quarterly Hogs and Pigs report points to reduced slaughter in 2003, and slightly lower pork production. U.S. packers are expected to slaughter 98.7 million hogs, and with an expected dressed weight averaging about 197 pounds, pork production this year is expected to be about 19.4 billion pounds, a decrease of less than 2 percent from 2002.

Live hog prices in 2003 are expected to reflect lower hog supplies, as well as lower per capita supplies of substitute animal protein, ie, beef and poultry. The 51-52 percent lean live equivalent hog price in 2003 is expected to average in the high \$30s per hundredweight.

Producer Returns Are Key to Herd Rebuilding, Timing Uncertain

Higher hog prices in 2003 could go part of the way toward creating incentives for producers to retain gilts for breeding herd rebuilding. While higher hog prices this year will improve producer returns, feed costs will be another key to herd rebuilding decisions. Consequently, the industry will focus on weather trends in the Corn Belt States. "Normal weather conditions" could bring about lower feed costs that would support producer returns. Historically, producers have increased the number of sows farrowing after 6 to 9 months of above-breakeven returns. But the ongoing changes in the U.S. pork sector structure may also have altered the timing of producer decisionmaking, adding even more uncertainty to forecasting turning-points of hog production cycles.

Pork Consumption Higher in 2002, but at Lower Prices

Domestic pork consumption in 2002 was 19.7 billion pounds, which translates into per capita consumption of 51.3 pounds of retail weight pork. On a per capita, retail weight basis, Americans consumed about 1 more pound of pork in 2002 than in 2001.

Increased quantities of pork traded at lower prices in 2002, however. On average, wholesalers paid packers lower prices for pork cuts in 2002, and U.S. consumers paid lower retail prices for the pork purchased at retail outlets. Wholesale pork prices-- as measured by the composite cutout-- were 19 percent lower in 2002 than in 2001. Retail prices were about 1 percent lower in 2002 than in 2001.

October Dock Strike Likely Culprit of Slow October Exports

U.S. pork exports in October were lower than anticipated at 121 million pounds, down more than 2 percent from September, and almost 4 percent from October 2001. It is likely that some Asia-bound exports were slowed by the West Coast dock strike. Japan's cumulative share of U.S. exports fell below 50 percent for the first time in 2002, suggesting that the strike might have hindered shipments into Japan's traditionally active holiday pork market. At least part of the seasonal increase in fourth-quarter U.S. pork exports is likely to be made up in the November-December period. In total, through October the United States exported 1.32 billion pounds (in carcass weight equivalents), an increase of almost 3 percent over the same period in 2001.

Under the terms of the free-trade agreement between the United States, Mexico, and Canada (NAFTA), Mexican barriers to pork imports were rescinded on January 1, 2003. However, on January 7, the Mexican Pork Council petitioned its Secretariat of Economy, charging that "Imports of pork meat from the United States of America have allegedly come into the Mexican market at prices significantly below the cost of production... exporters and importers of selected U.S. pork meat, particularly hams and shoulders, practiced price discrimination from April 1 to September 2002." The Mexican Pork Council seeks relief in the form of countervailing duties and/or compensatory duties on selected cuts of imported U.S. pork. Respondents to the petition

have 30 working days to respond to questionnaires required from the Secretariat. Preliminary findings of the Mexican Government's investigation will be reported in about 4 months.

Mexico is the second largest export market for U.S. pork, after Japan. In October, Mexico accounted for about 20 percent of total U.S. pork exports. Since October 1998, Mexico has restricted imports of U.S. live hogs with countervailing duties to compensate producers there for what the Mexican Government maintains is underpricing of U.S. hogs imported into Mexico.

Imports of Feeder Pigs from Canada Achieve Record Level in October

The U.S. Census reported that the United States imported 393,000 feeder pigs from Canada in October, the highest number ever. Moreover, feeder pigs accounted for 71 percent of imports, also a record.

Through October, the number of feeder pigs imported from Canada increased by more than 20 percent, while the number of slaughter hogs decreased by more than 7 percent. The slowdown in U.S. slaughter hog imports is likely related to both an increase in slaughter capacity in Canada, and more intensive use of existing Canadian capacity. In Ontario, a new plant in Mitchell and an expansion of an existing plant in Breslau increased capacity by about 9,000 head per week. Moreover, increased flexibility of labor rules allowed two major plants in Ontario to begin running Saturday shifts during the September-January period when demand for slaughter space is highest. In Manitoba, the Maple Leaf plant achieved its goal of 40,000 head per week in 2002. In Alberta, the 2002 slaughter increased almost 17 percent over the kill in 2001, suggesting that the investments made by the new Quebecois owners of the province's major slaughter facility have allowed it to increase production.

Canadian Hog Slaughter
(head)

Province	2002	2001	% Change
Quebec	8,123,763	7,841,993	3.6
Ontario	4,609,732	4,260,199	8.2
Manitoba	4,404,319	4,146,857	6.2
Alberta	2,583,616	2,212,116	16.8
Other Eastern Provinces	537,404	528,837	1.6
Other Western Provinces	1,627,484	1,482,099	9.8
Total	21,886,318	20,472,101	6.9

Beef Cattle Inventory Remains Under Pressure of Poor Forage Conditions

Widespread drought extended the liquidation phase of this cattle cycle another year, with few hints of movement toward expansion. Much of the Northern and Central Plains, as well as the intermountain west, remain in severe drought with record low moisture levels and drought extending for 2 to 4 years straight. Dry conditions expanded into the western Corn Belt in the fall of 2002. Conditions are much improved in the Southeast quadrant of the country, following severe drought through early fall.

Hay-Forage Conditions Short

Stocks of all hay on December 1, 2002, declined 6 percent from a year earlier to the lowest level for this date since 1997, but the second lowest since 1993. Hay production estimates for 2002 were revised upward from the October forecast to 151 million tons, down 4 percent from a year earlier, and the smallest harvest since 1996.

Disappearance for May/December 2002 was up sharply reflecting the dry spring and summer conditions limiting pasture and extending the hay feeding period in the northern and central Great Plains, Southeast, and intermountain west. Stocks were down in 33 of the 48 reporting States, however stocks were up sharply in Texas and Oklahoma due to excellent grazing and production conditions in 2002, following extremely poor conditions in the prior 2 to 3 years.

Although hay stocks are short, the price for all hay in December was \$3 per ton lower than a year earlier, with Alfalfa hay prices down \$5 per ton, but prices for other hay up \$1.30 per ton. In spite of reduced beef cattle inventories and much improved small grain grazing conditions, hay-forage conditions in the beef sector are very tight. In addition, increased supplemental feeding due to a more severe winter, particularly when compared with the very mild winter of 2001/02, and prospects for continued heavier feeding is raising concerns. Beef cow slaughter as a proportion of the January 1, 2002, inventory has risen above year-earlier levels.

Few Signs of Beef Herd Expansion

USDA's Cattle report for January 1, 2003, will be released on January 31 and forecasts for 2003 beef production prospects will be revised further in February. Cow slaughter remained large last year and the proportion of the January 1, 2002, inventory slaughtered increased. The cattle inventory decline began in 1996, and likely will not show any hint of female retention for expansion until summer. But even this start would not begin to expand the inventory until 2005, and that would be modest due to the continued relatively high cow slaughter, and still larger numbers of heifers that might have been bred in 2003 already in feedlots. Heifer slaughter in 2002 was about unchanged from a year earlier, even with continued inventory declines.

Cattle-on-Feed Inventories Down

Cattle-on-feed inventories remain down 7 to 9 percent from a year earlier. Cattle inventories are down and more stocker cattle are on wheat pasture, but feedlot placements in November rose above the low levels of a year earlier. Still, placements were well below the 5-year averages. Stocker-feeder cattle imports from Mexico are down sharply, although they have been rising seasonally this fall. Offsetting the lower Mexican imports are sharply reduced U.S. feeder cattle exports to Canada due to drought and a second year of poor grain crops in Canada. Instead, more Canadian feeder cattle were shipped to U.S. feedlots for finishing.

Fed marketings and weight gain have been disrupted since late October as a series of winter storms spread across the country in sharp contrast to the very mild weather of a year earlier resulting in some cattle marketings being shifted into the first quarter. If present weather trends continue, the slower marketing pace may push some cattle from the first quarter into the second quarter. Although this winter may not be as severe as the winter of 2000/01, it is already much more severe than last year. Steer and heifer slaughter weights have varied up and down with the weather, not necessarily in unison, but remain above the record levels of a year earlier.

Prices spiked upward in the new year following reduced holiday slaughter and the need to refill the beef pipeline. Weather vagaries will continue to influence the rate at which cattle become market ready, particularly higher grading cattle. Consequently, given the tightening cattle supply situation, cattle and boxed beef prices are likely to be explosive.

Retail/Fed Cattle Prices Rise

The price of Choice beef at retail rose in November and are likely to continue rising given the supply

uncertainties and already sharp increases in fed cattle prices. Fed cattle prices have risen from the mid-\$60s in early fall to the upper \$70s in mid-January. Even as the beef price spread narrows from the wide summer levels, retail prices are likely to be forced higher. Large supplies of competing meats at much lower relative prices will slow the rate of price increase and perhaps slaughter levels to bring supply and demand more in line. Although retail beef prices remain below the record 2002 levels, prices are already moving higher, a trend likely to continue over the next couple of years.

Contacts and Links

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Related Articles

The following are links to recent articles (in Adobe Acrobat format).

[Controversies in Livestock Pricing](#)

<http://www.ers.usda.gov/publications/agoutlook/Dec2002/ao297f.pdf> Some livestock producers allege that aspects of the livestock pricing system contribute to low prices. Controversies continue over the extent to which structural changes and pricing methods have affected producer prices. [William Hahn](#) (202) 694-5175.

[Where's the Beef? Small Farms Produce Most Cattle](#)

<http://preview.ers.usda.gov/publications/agoutlook/Dec2002/ao297g.pdf> Small operations produce the majority of beef cattle in the U.S., and control 74 percent of land dedicated to beef cattle production. Differences in size of farms have implications for farm policy. [A. James Cash II](#) (202) 694-5149.

Data

[Retail Price Reporting for Meat](#)

<http://www.ers.usda.gov/Data/Meatscanner/> A new ERS database contains monthly average retail prices for selected cuts of red meat and poultry, based on electronic supermarket scanner data. While not based on a random sample, the raw data underlying the database are from supermarkets across the United States that account for approximately 20 percent of U.S. supermarket sales. [Leland Southard](#) (202)694-5187.

Web Sites

Cattle, <http://www.ers.usda.gov/briefing/cattle/>
Hogs, <http://www.ers.usda.gov/briefing/hogs/>
Poultry and Eggs, <http://www.ers.usda.gov/briefing/poultry/>
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New ERS Magazine to Debut in February 2003

The Economic Research Service will introduce a new magazine in February 2003 at the Agricultural Outlook Forum. The new ERS flagship publication will appear both in print and on the internet, five times annually. Its "beat" will be the full range of ERS research and analysis. It will replace all three current ERS magazines—*Agricultural Outlook*, *FoodReview*, and *Rural America*.

Each issue of the new magazine will be a window on ERS work, offering a sample of topics from across the spectrum of the agency's program. Agriculture, trade, and policy will get equal billing with food safety and nutrition, natural resources, and rural development. The Internet edition, to be updated with new articles and data between scheduled publication dates, will link readers directly to more detailed analysis on specific topics covered in the magazine.

The market outlook reports and briefing rooms published on the ERS website will continue to be the major source of detailed data, information, and analysis on specific commodities, agricultural trade, farm income and finance, and many other topics. Data that have been published in appendix tables in *Agricultural Outlook* magazine will be available on the ERS website and updated 10 times per year.

The new magazine will support the ERS goal of delivering reliable, relevant information targeted to decision makers in the public and private sectors, and will educate readers about the breadth and depth of the agency's work.

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Red meat and poultry forecasts

	2001		2002					2003				
	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual
Production, million lb												
Beef	6,700	26,107	6,376	6,833	7,097	6,775	27,081	6,325	6,700	6,600	6,075	25,700
Pork	5,239	19,138	4,779	4,800	4,832	5,270	19,681	4,760	4,670	4,750	5,210	19,390
Lamb and mutton	59	223	58	54	51	56	219	60	55	50	52	217
Broilers	7,863	31,266	7,855	8,249	8,257	7,900	32,262	7,800	8,225	8,300	8,200	32,525
Turkeys	1,454	5,562	1,385	1,448	1,413	1,450	5,696	1,375	1,450	1,425	1,450	5,700
Total red meat & poultry	21,492	83,006	20,631	21,568	21,844	21,635	85,678	20,497	21,281	21,300	21,159	84,237
Table eggs, mil. doz.	1,563	6,074	1,502	1,513	1,550	1,575	6,140	1,505	1,515	1,555	1,580	6,155
Per capita consumption, retail lb 1/												
Beef	16.3	66.2	16.1	17.5	17.3	16.4	67.4	15.8	17.1	16.7	14.9	64.4
Pork	13.5	50.2	12.3	12.6	12.7	13.7	51.3	12.1	12.1	12.4	13.3	50.0
Lamb and mutton	0.3	1.1	0.3	0.3	0.3	0.3	1.2	0.3	0.3	0.3	0.3	1.2
Broilers	18.8	76.6	19.3	20.8	20.6	19.4	80.1	19.1	20.4	20.2	19.7	79.3
Turkeys	5.6	17.5	3.6	3.9	4.4	5.6	17.5	4.0	3.9	4.1	5.6	17.7
Total red meat & poultry	54.9	213.3	52.2	55.5	55.8	56.0	219.5	51.8	54.4	54.1	54.2	214.4
Eggs, number	64.5	252.6	62.1	62.3	63.9	64.5	252.7	61.4	62.0	63.4	64.3	251.1
Market prices												
Choice steers, Neb., \$/cwt	65.13	72.71	70.19	65.58	63.29	69.10	67.04	71-73	71-77	73-79	74-80	72-77
Feeder steers, Ok City, \$/cwt	85.37	88.20	81.24	76.96	78.87	83.08	80.04	83-85	82-88	85-91	88-94	84-89
Boning utility cows, S. Falls, \$/cwt	39.23	44.39	41.56	42.28	37.69	35.69	39.23	39-41	48-50	47-49	45-47	44-47
Choice slaughter lambs, San Angelo, \$/cwt	62.76	72.04	66.62	66.00	74.60	83.00	72.56	79-81	74-80	70-76	74-77	70-75
Barrows & gilts, N. base, i.e. \$/cwt	37.30	45.81	39.43	35.03	33.86	31.34	34.92	35-37	39-41	38-42	36-38	37-40
Broilers, 12 City, cents/lb	58.50	59.10	56.00	56.10	56.40	53.70	55.60	56-58	56-60	59-63	58-62	57-61
Turkeys, Eastern, cents/lb	71.40	66.30	60.00	62.90	66.70	68.20	64.50	60-62	62-66	65-71	71-77	64-69
Eggs, New York, cents/doz.	68.20	67.20	69.10	58.40	65.30	75.40	67.10	69-71	58-62	63-69	73-79	66-70
U.S. trade, million lb												
Beef & veal exports	610	2,269	572	601	662	665	2,500	640	650	650	625	2,565
Beef & veal imports	689	3,164	737	934	839	700	3,210	800	920	850	735	3,305
Lamb and mutton imports	36	146	48	44	32	38	162	50	45	35	42	172
Pork exports	403	1,560	382	416	401	420	1,619	405	425	400	415	1,645
Pork imports	263	951	235	262	275	285	1,057	250	270	275	285	1,080
Broiler exports	1,402	5,555	1,204	1,119	1,257	1,285	4,865	1,250	1,250	1,350	1,400	5,250
Turkey exports	123	487	129	107	100	120	456	115	110	125	140	490

1/ Per capita meat and egg consumption data are revised, incorporating a new population series from the Commerce Department's Bureau of Economic Analysis based on the 2000 Census.

ECONOMIC INDICATOR FORECASTS ^{1/}

	2001		2002					2003				
	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual
GDP, chain wtd (bil. 1996 dol.)	9,248	9,215	9,363	9,388	9,465	9,497	9,428	9,557	9,629	9,707	9,806	9,675
CPI-U, annual rate (pct.)	-0.4	1.9	1.4	3.4	1.9	2.3	2.2	2.2	2.2	2.2	2.2	2.2
Unemployment (pct.)	5.6	4.8	5.6	5.9	5.7	5.8	5.8	5.9	5.8	5.6	5.6	5.7
Interest (pct.)												
3-month Treasury bill	1.9	3.4	1.7	1.7	1.6	1.4	1.6	1.3	1.4	1.8	2.1	1.6
10-year Treasury bond yield	4.8	5.0	5.1	5.1	4.3	4.0	4.6	4.1	4.2	4.5	4.7	4.4

^{1/} Source: Survey of Professional Forecasters, Philadelphia Federal Reserve Bank, November 2002.

DAIRY FORECASTS

	2001		2002					2003				
	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual
Milk cows (thous.)	9,105	9,115	9,109	9,145	9,159	9,155	9,142	9,110	9,075	9,050	9,010	9,060
Milk per cow (pounds)	4,483	18,139	4,639	4,806	4,572	4,555	18,572	4,715	4,885	4,640	4,670	18,910
Milk production (bil. pounds)	40.8	165.3	42.3	44.0	41.9	41.7	169.8	43.0	44.3	42.0	42.1	171.4
Commercial use (bil. pounds)												
milkfat basis	43.6	169.4	40.5	42.1	43.8	44.6	171.1	42.0	43.4	44.8	45.9	176.1
skim solids basis	41.0	163.7	39.1	40.6	42.2	41.7	163.7	40.8	42.2	43.3	43.0	169.3
Net removals (bil. pounds)												
milkfat basis	0.0	0.1	0.1	0.1	0.1	0.1	0.3	0.9	0.2	0.0	0.2	1.4
skim solids basis	1.3	5.8	2.7	3.5	2.1	1.5	9.8	2.4	2.1	0.8	0.2	5.5
Prices (dol./cwt)												
All milk ^{1/}	14.50	14.97	12.87	12.10	11.37	11.93	12.12	11.35- 11.75	10.85- 11.55	11.20- 12.20	12.25- 13.25	11.40- -12.20
Class III	12.57	13.10	11.18	10.59	9.59	10.10	10.42	9.60- 10.00	9.70- 10.40	9.85- 10.85	10.65- 11.65	9.95- 10.75
Class IV	12.18	13.76	11.38	10.73	10.36	10.52	10.81	9.75- 10.25	9.85- 10.65	10.35- 11.45	10.45- 11.55	10.10- 11.00

^{1/} Simple averages of monthly prices. May not match reported annual averages.